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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended June 30, 2007

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 1-11921

E*TRADE Financial Corporation
(Exact Name of Registrant as Specified in its Charter)

Delaware	**94-2844166**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification Number)**

135 East 57th Street, New York, New York 10022
(Address of Principal Executive Offices and Zip Code)

(646) 521-4300
(Registrant's Telephone Number, including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest

practicable date:

As of August 3, 2007, there were 423,629,118 shares of common stock outstanding.

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E*TRADE FINANCIAL CORPORATION
FORM 10-Q QUARTERLY REPORT
For the Quarter Ended June 30, 2007

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Unless otherwise indicated, references to "the Company," "We," "Us," "Our" and "E*TRADE" mean E*TRADE Financial Corporation or its subsidiaries.

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ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

This information is set forth immediately following Item 3, "Quantitative and Qualitative Disclosures about Market Risk."

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the consolidated financial statements and the related notes that appear elsewhere in this document.

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements involving risks and uncertainties. These statements relate to our future plans, objectives, expectations and intentions. These statements may be identified by the use of words such as "expect," "may," "anticipate," "intend," "plan" and similar expressions. Our actual results could differ materially from those discussed in these forward-looking statements, and we caution that we do not undertake to update these statements. Factors that could contribute to our actual results differing from any forward-looking statements include those discussed under "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this report. The cautionary statements made in this report should be read as being applicable to all forward-looking statements wherever they appear in this report. Important factors that may cause actual results to differ materially from any forward-looking statements are set forth in our 2006 Form 10-K filed with the Securities and Exchange Commission ("SEC") under the heading "Risk Factors."

We further caution that there may be risks associated with owning our securities other than those discussed in such filings.

GLOSSARY OF TERMS

In analyzing and discussing our business, we utilize certain metrics, ratios and other terms that are defined in the "Glossary of Terms," which is located at the end of Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

OVERVIEW

Strategy

Our strategy centers on strengthening and growing our retail business and leveraging that growth in our institutional business. We strive to further develop our retail business by acquiring, retaining and expanding our relationships with global retail customers. We offer our retail and institutional customers a suite of trading, investing, banking and lending products. We plan to grow these relationships organically by using technology to deliver an attractive combination of product, service and price to the value-driven mass affluent customer. We also intend to grow, where appropriate, through targeted acquisitions which leverage our existing business platform and through further expansion into certain international markets.

Key Factors Affecting Financial Performance

Our financial performance is affected by a number of factors outside of our control, including:

- customer demand for financial products and services;
- competitors' pricing on financial products and services;
- the weakness or strength of the consumer credit market;
- interest rates and the shape of the interest rate yield curve; and
- the performance, volume and volatility of the equity and capital markets.

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In addition to the items noted above, our success in the future will depend upon, among other things:

- continuing our success in the acquisition, growth and retention of customers;
- deepening customer acceptance of our trading, investing, banking and lending products;
- disciplined expense control and improved operational efficiency;
- maintaining strong overall asset quality; and
- prudent risk and capital management.

Management monitors a number of metrics in evaluating the Company's performance. The most significant of these are shown in the table and discussed in the text below:

	At or For the Three Months Ended June 30, 2007	At or For the Three Months Ended June 30, 2006	Variance 2007 vs. 2006	At or For the Six Months Ended June 30, 2007	At or For the Six Months Ended June 30, 2006	Variance 2007 vs. 2006
Customer Activity Metrics:						
Retail client assets (dollars in billions)	$ 212.8	$ 180.1	18 %	$ 212.8	$ 180.1	18 %
Customer cash and deposits (dollars in billions)	$ 37.9	$ 30.1	26 %	$ 37.9	$ 30.1	26 %
U.S. daily average revenue trades	141,606	142,621	(1)%	141,425	150,843	(6)%
International daily average revenue trades	27,516	22,981	20 %	28,146	22,475	25 %
Total daily average revenue trades	169,122	165,602	2 %	169,571	173,318	(2)%
Average commission per trade	$ 12.03	$ 12.23	(2)%	$ 11.96	$ 12.16	(2)%
Company Financial Metrics:						
Net revenue growth[(1)]	9%	58%	(49)%	8%	50%	(42)%
Enterprise net interest spread (basis points)	271	291	(7)%	272	290	(6)%
Enterprise interest-earning assets (average in billions)	$ 57.7	$ 44.1	31 %	$ 55.3	$ 42.7	29 %
Total non-performing loans receivable as a % of total gross loans receivable	0.53%	0.22%	0.31 %	0.53%	0.22%	0.31 %
Operating margin (%)	39%	43%	(4)%	41%	42%	(1)%
Compensation and benefits as a % of revenue	18%	21%	(3)%	19%	20%	(1)%

(1) Net revenue growth is the difference between the current and prior comparable period total net revenue

divided by the prior comparable period total net revenue.

Customer Activity Metrics

- Retail client assets are an indicator of the value of our relationship with the customer. An increase in retail client assets generally indicates that the use of our products and services by existing and new customers is expanding. Changes in this metric are also driven by changes in the valuations of our customers' underlying securities.
- Customer cash and deposits are an indicator of a deepening engagement with our customers and are a key driver of net operating interest income.
- Daily average revenue trades ("DARTs") are the predominant driver of commission revenue from our retail customers.

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- Average commission per trade is an indicator of changes in our customer mix, product mix and/or product pricing. As a result, this metric is impacted by both the mix between our retail domestic and international businesses and the mix between active traders, mass affluent and main street customers.

Company Financial Metrics

- Net revenue growth is an indicator of our overall financial well-being and our ability to execute on our strategy. When coupled with operating margin, the two provide information about the general success of our business.
- Enterprise net interest spread is a broad indicator of our ability to generate net operating interest income.
- Enterprise interest-earning assets, in conjunction with our enterprise net interest spread, are indicators of our ability to generate net operating interest income.
- Total non-performing loans receivable as a percentage of gross loans receivable is an indicator of the performance of our total loan portfolio.
- Operating margin is an indicator of the profitability of our operations.
- Compensation and benefits as a percentage of revenue is an indicator of our productivity. This ratio coupled with operating margin is an indicator of our efficiency.

Significant Events in the Second Quarter of 2007

International Expansion

We continued our expansion into international markets with the launch of operations in Norway and the Netherlands. In Norway, we now offer online trading of all Norwegian stocks registered on the Norwegian exchange Oslo Børs, as well as stocks from Scandinavian markets in Sweden, Denmark, Finland, and the American markets. In the Netherlands, we offer Dutch investors direct access to the US stock markets through our global trading platform.

Enhanced Distribution Network

We enhanced our distribution network by opening three new E*TRADE Financial centers during the period. With the addition of centers in Charlotte, NC; Houston, TX; and Minneapolis, MN, we increased the number of our nationwide financial centers to a total of 27.

Summary Financial Results

Income Statement Highlights for the Three and Six Months Ended June 30, 2007 (dollars in millions, except per share amounts)

	Three Months Ended June 30,		Variance	Six Months Ended June 30,		Variance
	2007	2006	2007 vs. 2006	2007	2006	2007 vs. 2006
Total net revenue	$ 663.5	$ 611.4	9 %	$1,308.5	$1,209.7	8 %
Net operating interest income after provision for loan losses	$ 384.1	$ 334.3	15 %	$ 753.5	$ 648.9	16 %
Operating margin	$ 261.4	$ 260.8	0 %	$ 532.0	$ 504.5	5 %
Net income	$ 159.1	$ 156.5	2 %	$ 328.5	$ 299.0	10 %
Diluted net earnings per share	$ 0.37	$ 0.36	3 %	$ 0.75	$ 0.69	9 %
Operating margin (%)	39%	43%	(4)%	41%	42%	(1)%

During the second quarter of 2007, despite volatility in the global equity markets and sustained pressure on the domestic real estate market, we continued to strengthen our financial performance. Total net revenue and net

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income increased 9% and 2%, respectively, when compared to the corresponding period in the prior year. We believe the investments we have made in marketing, operations and service are driving organic growth in customer cash and deposits and margin receivables, which are the primary drivers of our increase in net income. The decrease in operating margin to 39% in the second quarter of 2007 from 43% when compared to the same period in the prior year is due primarily to $35.1 million in expense recorded for certain legal and regulatory matters[(1)].

Net operating interest income after provision for loan losses increased 15% to $384.1 million for the three months ended June 30, 2007, compared with the same period in 2006. Net operating interest income benefited from increases in customer cash and deposits, which increased $7.8 billion compared to the same period in 2006. The increase in customer cash and deposits resulted from organic growth, primarily in our new Complete Savings Account, which was launched at the end of 2006. This new product has driven meaningful growth in cash from new and existing customers. In addition, customers who utilized this new product tended to engage more broadly with our other products and services.

Balance Sheet Highlights (dollars in billions)

	June 30, 2007	December 31, 2006	Variance 2007 vs. 2006
Total assets	$ 63.0	$ 53.7	17 %
Total enterprise interest-earning assets	$ 58.7	$ 49.5	19 %
Loans, net and margin receivables as a percentage of enterprise interest-earning assets[(2)]	67%	68%	(1)%
Retail deposits and customer payables as a percentage of enterprise interest-bearing liabilities[(2)]	61%	64%	(3)%

The increase in total assets was attributable primarily to an increase of $5.1 billion in loans receivable, net. The increase in loans receivable, net was due principally to growth in our real estate loan portfolio, specifically first lien real estate loans. During the second quarter of 2007, we focused on growing our first lien real estate loan portfolio, allowing our consumer loan and second lien real estate portfolios to decline. Enterprise interest-earning assets were $58.7 billion at June 30, 2007, an increase of $9.2 billion from December 31, 2006, which was related primarily to the increase in loans, net and margin receivables.

Retail deposits and customer payables were $33.9 billion at June 30, 2007, up 14% or $4.1 billion compared to December 31, 2006. Retail deposits and customer payables are two of our lowest cost sources of funding and are important contributors to our net operating interest income growth. The increase during the period was due primarily to growth in the Complete Savings Account.

EARNINGS OVERVIEW

Net income increased 2% to $159.1 million and 10% to $328.5 million for the three and six months ended June 30, 2007, respectively, compared to the same periods in 2006. This increase was a result of strong growth in retail deposits and customer payables, which are the primary funding source for interest-earning assets.

We report corporate interest income and corporate interest expense separately from operating interest income and operating interest expense. We believe reporting these two items separately provides a clearer picture

(1) Refer to Note 17—Commitments, Contingencies and Other Regulatory Matters for the disclosure around legal and regulatory matters.

(2) Loans, net and margin receivables as a percentage of enterprise interest-earning assets and retail deposits and customer payables as a percentage of enterprise interest-bearing liabilities include balances not recorded on

the balance sheet, such as margin and customer cash and deposits held by third parties.

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of the financial performance of our operations than would a presentation that combined these two items. Our operating interest income and operating interest expense is generated from the operations of the Company and is a broad indicator of our success in our banking, lending and balance sheet management businesses. Our corporate debt, which is the primary source of our corporate interest expense, has been used primarily to finance acquisitions, such as Harris*direct* and BrownCo, and generally has not been downstreamed to any of our operating subsidiaries.

Similarly, we report gain on sales and impairment of investments separately from gain on sales of loans and securities, net. We believe reporting these two items separately provides a clearer picture of the financial performance of our operations than would a presentation that combined these two items. Gain on sales of loans and securities, net are the result of activities in our operations, namely our lending and balance sheet management businesses. Gain on sales and impairment of investments relates to historical equity investments of the Company at the corporate level and are not related to the ongoing business of our operating subsidiaries.

The following sections describe in detail the changes in key operating factors and other changes and events that have affected our consolidated net revenue, expense excluding interest, other income (expense) and income tax expense.

Revenue

The components of net revenue and the resulting variances are as follows (dollars in thousands):

	Three Months Ended June 30,		Variance 2007 vs. 2006		Six Months Ended June 30,		Variance 2007 vs. 2006	
	2007	2006	Amount	%	2007	2006	Amount	%
Revenue:								
Operating interest income	$ 905,772	$ 660,373	$ 245,399	37 %	$1,735,567	$1,254,667	$ 480,900	38 %
Operating interest expense	(491,608)	(315,771)	(175,837)	56 %	(930,817)	(585,276)	(345,541)	59 %
Net operating interest income	414,164	344,602	69,562	20 %	804,750	669,391	135,359	20 %
Provision for loan losses	(30,045)	(10,270)	(19,775)	193 %	(51,231)	(20,467)	(30,764)	150 %
Net operating interest income after provision for loan losses	384,119	334,332	49,787	15 %	753,519	648,924	104,595	16 %
Commission	169,768	167,296	2,472	1 %	328,761	343,165	(14,404)	(4)%
Fees and service charges	65,446	57,809	7,637	13 %	124,944	115,671	9,273	8 %
Principal transactions	27,768	31,590	(3,822)	(12)%	57,850	62,282	(4,432)	(7)%
Gain on sales of loans and securities, net	5,328	11,107	(5,779)	(52)%	22,703	22,735	(32)	(0)%
Other revenue	11,120	9,224	1,896	21 %	20,770	16,930	3,840	23 %
Total non-interest								

income	279,430	277,026	2,404	1 %	555,028	560,783	(5,755)	(1)%
Total net revenue	$ 663,549	$ 611,358	$ 52,191	9 %	$1,308,547	$1,209,707	$ 98,840	8 %

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Net operating interest income after provision for loan losses continues to be our largest source of revenue and represents 58% of total net revenue for both the three and six months ended June 30, 2007. This reflects our focus on retaining retail customer cash and deposits and retail credit balances. Net operating interest income is earned primarily through holding credit balances, which includes margin, real estate and consumer loans, and by holding customer cash and deposits, which are a low cost source of funding. The table below presents each revenue component as a percentage of total net revenue.

	Three Months Ended June 30,		Variance	Six Months Ended June 30,		Variance
	2007	2006	2007 vs. 2006	2007	2006	2007 vs. 2006
Revenue:						
Net operating interest income after provision for loan losses	58%	55%	3%	58%	54%	4%
Commission[(1)]	25	27	(2)	25	28	(3)
Fees and service charges	10	9	1	10	10	—
Principal transactions	4	5	(1)	4	5	(1)
Gain on sales of loans and securities, net	1	2	(1)	2	2	—
Other revenue	2	2	—	1	1	—
Total net revenue	100%	100%	— %	100%	100%	— %

(1) Retail commission revenue represented 19% and 21% of total net revenue for the three months ended June 30, 2007 and 2006, respectively, and 19% and 22% for the six months ended June 30, 2007 and 2006, respectively. Institutional commission revenue represented 6% of total net revenue for both the three months ended June 30, 2007 and 2006, and 6% and 7% for the six months ended June 30, 2007 and 2006, respectively.

Net Operating Interest Income after Provision for Loan Losses

Net operating interest income after provision for loan losses increased 15% to $384.1 million and 16% to $753.5 million for the three and six months ended June 30, 2007, respectively, compared to the same periods in 2006. The increase in net operating interest income was due primarily to growth in enterprise interest-earning assets, specifically loans, net. Average loans, net as a percentage of average enterprise interest-earning assets increased 8% to 54% and 6% to 53% for the three and six months ended June 30, 2007, respectively, compared to the same periods in 2006.

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The following table presents enterprise average balance sheet data and enterprise income and expense data for our operations, as well as the related net interest spread, yields and rates and has been prepared on the basis required by the SEC's Industry Guide 3, "*Statistical Disclosure by Bank Holding Companies*" (dollars in thousands):

	Three Months Ended June 30,					
	2007			2006		
	Average Balance	Operating Interest Inc./Exp.	Average Yield/Cost	Average Balance	Operating Interest Inc./Exp.	Average Yield/Cost
Enterprise interest-earning assets:						
Loans, net	$31,037,971	$ 497,517	6.41%	$20,419,936	$ 303,499	5.95%
Margin receivables	7,003,411	127,335	7.29%	6,982,867	123,390	7.09%
Mortgage-backed and related available-for-sale securities	13,027,383	172,501	5.30%	11,715,510	147,374	5.03%
Available-for-sale investment securities	4,502,434	73,133	6.50%	3,048,166	47,287	6.21%
Trading securities	114,135	3,174	11.12%	142,452	2,946	8.27%
Cash and cash equivalents(1)	1,244,965	15,008	4.84%	1,260,684	13,421	4.27%
Stock borrow and other	752,280	14,688	7.83%	493,981	8,795	7.14%
Total enterprise interest-earning assets	57,682,579	903,356	6.27%	44,063,596	646,712	5.87%
Non-operating interest-earning assets(2)	4,610,421			4,592,685		
Total assets	$62,293,000			$48,656,281		
Enterprise interest-bearing liabilities:						
Retail deposits	$26,778,743	200,081	3.00%	$19,848,322	115,062	2.33%
Brokered certificates of deposit	424,645	5,220	4.93%	577,068	6,696	4.65%
Customer payables	6,836,301	22,779	1.34%	6,416,136	16,957	1.06%
Repurchase agreements and other borrowings	13,558,998	175,337	5.12%	10,580,283	129,103	4.83%
Federal Home Loan Bank ("FHLB") advances	6,151,086	78,800	5.07%	2,842,198	32,207	4.48%
Stock loan and other	1,194,006	8,381	2.82%	1,133,694	8,487	3.00%
Total enterprise interest-bearing liabilities	54,943,779	490,598	3.56%	41,397,701	308,512	2.96%
Non-operating interest-bearing liabilities(3)	2,973,193			3,514,973		
Total liabilities	57,916,972			44,912,674		
Total shareholders' equity	4,376,028			3,743,607		
	$62,293,000			$48,656,281		
Excess of enterprise interest-earning assets over enterprise interest-bearing liabilities/Enterprise net interest income/Spread	$ 2,738,800	$ 412,758	2.71%	$ 2,665,895	$ 338,200	2.91%
Enterprise net interest margin (net yield on enterprise interest-earning assets)			2.86%			3.07%
Ratio of enterprise interest-earning assets to enterprise interest-bearing liabilities			104.98%			106.44%
Return on average:						
Total assets			1.02%			1.29%
Total shareholders' equity			14.55%			16.72%
Average equity to average total assets			7.02%			7.69%

Reconciliation from enterprise net interest income to net operating interest income (dollars in thousands):

	Three Months Ended June 30,	
	2007	2006
Enterprise net interest income(4)	$ 412,758	$ 338,200
Taxable equivalent interest adjustment	(7,487)	(4,306)
Customer cash held by third parties and other(5)	8,893	10,708
Net operating interest income	$ 414,164	$ 344,602

(1) Includes segregated cash balances.

(2) Non-operating interest-earning assets consist of property and equipment, net, goodwill, other intangibles, net and other assets that do not generate operating interest income. Some of these assets generate corporate interest income.

(3) Non-operating interest-bearing liabilities consist of corporate debt, accounts payable, accrued and other liabilities that do not generate operating interest expense. Some of these liabilities generate corporate interest expense.

(4) Enterprise net interest income is taxable equivalent basis net operating interest income excluding corporate interest income and corporate interest expense, stock conduit interest income and expense and interest earned on customer cash held by third parties. Management believes this non-GAAP measure is useful to analysts and investors as it is a measure of the net operating interest income generated by our operations.

(5) Includes interest earned on average customer assets of $4.0 billion and $3.4 billion for the three months ended June 30, 2007 and 2006, respectively, held by parties outside E*TRADE Financial, including third party money market funds and sweep deposit accounts at unaffiliated financial institutions. Other consists of net operating interest income earned on average stock conduit assets of $2.2 million and $362.4 million for the three months ended June 30, 2007 and 2006, respectively.

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	Six Months Ended June 30, 2007 Average Balance	2007 Operating Interest Inc./Exp.	2007 Average Yield/Cost	2006 Average Balance	2006 Operating Interest Inc./Exp.	2006 Average Yield/Cost
Enterprise interest-earning assets:						
Loans, net	$29,573,824	$ 948,916	6.42%	$19,997,845	$ 584,769	5.85%
Margin receivables	6,896,215	251,321	7.35%	6,731,622	228,294	6.84%
Mortgage-backed and related available-for-sale securities	12,536,473	330,468	5.27%	11,138,767	272,878	4.90%
Available-for-sale investment securities	4,203,594	136,629	6.50%	2,785,456	84,676	6.08%
Trading securities	116,941	6,443	11.02%	140,566	5,594	7.96%
Cash and cash equivalents(1)	1,301,131	30,938	4.79%	1,403,846	29,320	4.21%
Stock borrow and other	662,044	24,739	7.54%	512,204	16,525	6.51%
Total enterprise interest-earning assets	55,290,222	1,729,454	6.27%	42,710,306	1,222,056	5.73%
Non-operating interest-earning assets(2)	4,516,233			4,794,715		
Total assets	$59,806,455			$47,505,021		
Enterprise interest-bearing liabilities:						
Retail deposits	$25,743,429	377,410	2.96%	$18,988,979	205,567	2.18%
Brokered certificates of deposit	445,486	10,879	4.92%	499,266	10,809	4.37%
Customer payables	6,609,616	43,258	1.32%	6,586,985	33,330	1.02%
Repurchase agreements and other borrowings	12,852,361	334,368	5.17%	10,219,654	240,623	4.68%
Federal Home Loan Bank ("FHLB") advances	5,576,927	141,652	5.05%	2,947,569	64,746	4.37%
Stock loan and other	1,271,225	20,896	3.31%	903,005	12,684	2.83%
Total enterprise interest-bearing liabilities	52,499,044	928,463	3.55%	40,145,458	567,759	2.83%
Non-operating interest-bearing liabilities(3)	2,993,659			3,757,322		
Total liabilities	55,492,703			43,902,780		
Total shareholders' equity	4,313,752			3,602,241		
	$59,806,455			$47,505,021		
Excess of enterprise interest-earning assets over enterprise interest-bearing liabilities/Enterprise net interest income/Spread	$ 2,791,178	$ 800,991	2.72%	$ 2,564,848	$ 654,297	2.90%
Enterprise net interest margin (net yield on enterprise interest-earning assets)			2.90%			3.06%
Ratio of enterprise interest-earning assets to enterprise interest-bearing liabilities			105.32%			106.39%
Return on average:						
Total assets			1.10%			1.26%
Total shareholders' equity			15.23%			16.60%
Average equity to average total assets			7.21%			7.58%

Reconciliation from enterprise net interest income to net operating interest income (dollars in thousands):

	Six Months Ended June 30, 2007	2006
Enterprise net interest income(4)	$ 800,991	$ 654,297
Taxable equivalent interest adjustment	(14,807)	(7,698)
Customer cash held by third parties and other(5)	18,566	22,792
Net operating interest income	$ 804,750	$ 669,391

(1) Includes segregated cash balances.

(2) Non-operating interest-earning assets consist of property and equipment, net, goodwill, other intangibles, net and other assets that

do not generate operating interest income. Some of these assets generate corporate interest income.

(3) Non-operating interest-bearing liabilities consist of corporate debt, accounts payable, accrued and other liabilities that do not generate operating interest expense. Some of these liabilities generate corporate interest expense.

(4) Enterprise net interest income is taxable equivalent basis net operating interest income excluding corporate interest income and corporate interest expense, stock conduit interest income and expense and interest earned on customer cash held by third parties. Management believes this non-GAAP measure is useful to analysts and investors as it is a measure of the net operating interest income generated by our operations.

(5) Includes interest earned on average customer assets of $3.9 billion and $3.5 billion for the six months ended June 30, 2007 and 2006, respectively, held by parties outside E*TRADE Financial, including third party money market funds and sweep deposit accounts at unaffiliated financial institutions. Other consists of net operating interest income earned on average stock conduit assets of $2.4 million and $591.9 million for the six months ended June 30, 2007 and 2006, respectively.

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Average enterprise interest-earning assets increased 31% to $57.7 billion and 29% to $55.3 billion for the three and six months ended June 30, 2007, respectively, compared to the same periods in 2006. Average loans, net grew 52% to $31.0 billion and 48% to $29.6 billion for the three and six months ended June 30, 2007, respectively, compared to the same periods in 2006. Average loans, net grew as a result of our focus on growing real estate loan products.

Average enterprise interest-bearing liabilities increased 33% to $54.9 billion and 31% to $52.5 billion for the three and six months ended June 30, 2007, respectively, compared to the same periods in 2006. The increase in average enterprise interest-bearing liabilities was primarily in retail deposits. Average retail deposits increased 35% to $26.8 billion and 36% to $25.7 billion for the three and six months ended June 30, 2007, respectively, compared to the same period in 2006. Increases in average retail deposits were driven by growth in the Complete Savings Account.

Enterprise net interest spread decreased by 20 basis points to 2.71% and 18 basis points to 2.72% for the three and six months ended June 30, 2007, respectively, compared to the same periods in 2006. This decrease was primarily the result of a challenging interest rate environment throughout the past 12 months, during which the yield curve remained relatively flat to inverted.

Provision for Loan Losses

Provision for loan losses increased 193% to $30.0 million and 150% to $51.2 million for the three and six months ended June 30, 2007, respectively, compared to the same periods in 2006. The increase in the provision for loan losses was related primarily to the growth in our second lien real estate loan portfolio and the increase in delinquent loans during the period. While our credit standards have remained strong, we anticipate upward trends in delinquencies and charge-offs compared to 2006 as a result of the continued seasoning of our second lien real estate loan portfolio and the current instability in the overall consumer credit market. The provision for loan losses is expected to increase in future periods based on the seasoning of the portfolio and the increase in delinquencies and charge-offs. Further deterioration in the consumer credit market could drive an additional increase in the provision for loan losses.

Commission

Retail and institutional commission revenue increased 1% to $169.8 million for the three months ended June 30, 2007, compared to the same period in 2006 and decreased 4% to $328.8 million for six months ended June 30, 2007, compared to the same period in 2006. The primary factors that affect our retail commission revenue are DARTs and average commission per trade, which is impacted by both trade types and the mix between our domestic and international businesses. Each business has a different pricing structure, unique to its customer base and local market practices, and as a result, a change in the relative number of executed trades in these businesses impacts average commission per trade. Each business also has different trade types (e.g. equities, options, fixed income, exchange-traded funds, contract for difference and mutual funds) that can have different commission rates. As a result, changes in the mix of trade types within either of these businesses may impact average commission per trade. Institutional commission revenue is also impacted by negotiated rates, which differ by customer. Our institutional customers are provided with global execution and settlement services as well as worldwide access to research provided by third parties in exchange for commissions based on negotiated rates.

DARTs increased 2% to 169,122 for the three months ended June 30, 2007, compared to the same period in 2006 and decreased 2% to 169,571 for the six months ended June 30, 2007, compared to the same period in 2006. Our U.S. DART volume decreased 1% and 6% for the three and six months ended June 30, 2007, respectively, compared to the same periods in 2006, driven by changing market conditions and decreased trading activities. Our international DARTs grew by 20% and 25% for the three and six months ended June 30, 2007, respectively, compared to the same periods in 2006, driven entirely by organic growth. Our international operations continue to be a strong growth contributor within our retail trading business, and we believe that over time they will become a significant component of our entire business. In addition, option-related DARTs further increased as a